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United States General Accounting Office

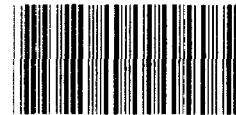
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Report to the President of the Senate and
the Speaker of the House of
Representatives

September 1988

FINANCIAL AUDIT

Senate Building Beauty Shop Statements for the Year Ended 12-31-87



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Comptroller General
of the United States

B-133046

September 30, 1988

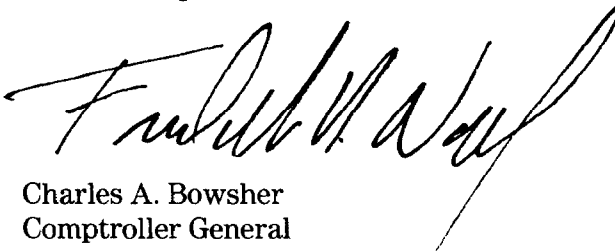
To the President of the Senate and the
Speaker of the House of Representatives

In accordance with section 451 of the Legislative Reorganization Act of 1970 (40 U.S.C. 193m-1), which authorizes the General Accounting Office to audit private organizations conducting activities on the Capitol grounds, and at the request of the Senate Sergeant at Arms, we have examined the balance sheet of the Senate Building Beauty Shop as of December 31, 1987, and the related statements of operations, changes in financial position, and changes in the capital account for the year then ended. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We completed our fieldwork on June 14, 1988.

In our opinion, the financial statements referred to above present fairly the financial position of the Senate Building Beauty Shop as of December 31, 1987, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles and the accounting policies described in note 1 to the financial statements applied on a consistent basis.

This report also contains our report on internal accounting controls and compliance with laws and regulations and the Senate Building Beauty Shop's financial statements and accompanying notes for the year ended December 31, 1987.

The Legislative Reorganization Act of 1970 requires that the results of our audit be reported to the Congress. We are sending copies of this report to cognizant congressional committees and to the Senate Sergeant at Arms. Copies will be made available to others upon request.


Charles A. Bowsher
Comptroller General
of the United States

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Report on Internal Accounting Controls and Compliance With Laws and Regulations

We have examined the financial statements of the Senate Building Beauty Shop for the year ended December 31, 1987. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our preliminary review of the system of internal accounting controls and our review of compliance with laws and regulations for the 12-month period ended December 31, 1987.

We did not complete a study and evaluation of the system of internal accounting controls for the purpose of determining the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the financial statements. Based on our preliminary review, we concluded that it was more efficient to expand our substantive audit tests in examining the financial statements for the year ended December 31, 1987.

While we did not perform a complete study and evaluation of the system of internal accounting controls, we did not become aware of any condition during our expanded substantive audit tests which we believe to be a material weakness.

As part of our examination, we also tested compliance with applicable laws and regulations. In our opinion, the Senate Building Beauty Shop complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected its financial statements. Nothing came to our attention, in connection with our examination, that caused us to believe that it was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

Balance Sheet

		December 31, 1987
Assets		
Current Assets		
Cash		\$5,811
Inventory		2,988
Total current assets		8,799
Fixed Assets		
Furniture, fixtures, and equipment		20,779
Less: Accumulated depreciation		17,632
		3,147
Improvements		6,838
Less: Accumulated amortization		6,410
		428
Total fixed assets		3,575
Total Assets		\$12,374
Liabilities and Capital		
Liabilities		
Accounts payable		\$369
District of Columbia sales tax payable		350
Virginia withholding tax payable		350
District of Columbia franchise tax payable		1,086
District of Columbia withholding tax payable		402
Maryland withholding tax payable		326
Total liabilities		2,883
Capital		
Liria Vouzikas		9,491
Total Liabilities and Capital		\$12,374

The accompanying notes are an integral part of this statement.

Statement of Operations

		For the Year Ended December 31, 1987
Revenue		
Beauty services and retail sales		\$192,270
Operating Expenses		
Salaries		130,848
Payroll taxes		12,304
Beauty supplies and purchases		11,905
Accounting		2,100
Other taxes		1,836
Office expenses		1,594
Insurance		1,421
Bank charges		706
Depreciation and amortization		687
Telephone		628
Dues and subscriptions		341
Advertising		87
Total operating expenses		164,457
Net income		\$27,813

The accompanying notes are an integral part of this statement.

Statement of Changes in Financial Position

		For the Year Ended December 31, 1987
Funds Provided		
Net income from operations		\$27,813
Depreciation and amortization		687
Increase in accounts payable		369
Increase in Virginia withholding tax payable		246
Increase in Maryland withholding tax payable		326
Increase in District of Columbia withholding tax payable		402
Total funds provided		29,843
Funds Applied		
Increase in inventory		248
Decrease in District of Columbia sales tax payable		131
Decrease in District of Columbia franchise tax payable		1,685
Drawings		29,366
Total funds applied		31,430
Decrease in Cash		\$1,587

The accompanying notes are an integral part of this statement.

Statement of Changes in Capital Account

		For the Year Ended December 31, 1987
Balance, January 1, 1987		\$9,151
Add: Donated Equipment	\$2,647	
Net income	27,813	30,460
Total		39,611
Less: Write-off of Accounts Receivable	\$694	
Correction of accumulated depreciation and accumulated amortization	60	
Drawings	29,366	30,120
Balance, December 31, 1987		\$9,491

The accompanying notes are an integral part of this statement.

Notes to Financial Statements

Note 1. Significant Accounting Policies

Inventory is stated at cost, using the first-in, first-out method of valuation.

Furniture, fixtures, and equipment acquired before January 1, 1985, are depreciated over a 10-year life using the straight-line method. Such assets purchased after January 1, 1985, are depreciated over a 5-year life using an accelerated method of depreciation. Furniture, fixtures, and equipment purchased after January 1, 1987, are depreciated over a 5-year life using the straight-line method with no salvage value.

Improvements placed in service before January 1, 1981, have been amortized over a 10-year life using the straight-line method. Improvements placed in service after January 1, 1981, have been amortized over a 10-year life using an accelerated method of depreciation.

The financial statements do not include the costs of certain benefits and services such as space, utilities, and ordinary building repairs and maintenance that are provided to the Senate Building Beauty Shop without charge.

Note 2. Comparative Statements Not Prepared

As a result of the Senate Building Beauty Shop converting from a partnership to a sole proprietorship on July 1, 1986, and the 1986 fiscal year being shortened to a 10-month period, a comparison of the 1987 operating results with those recorded for fiscal year 1986 would not be meaningful.

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